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31st Annual Report

OF THE
REGIONAL GRAIN
COOPERATIVES,
1968-69

Daniel H. McVey
Service Report 114
(* _____)



FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

Farmer Cooperative Service strengthens the economic position of farmers and other rural people by improving organization, development, management, and operation of their cooperatives. It works directly with cooperative leaders and Federal and State agencies on cooperative problems. It publishes research results and educational materials and issues the News for Farmer Cooperatives.

The Service helps (1) farmers and other rural residents get better prices for products they sell and obtain supplies and services at lower cost; (2) rural residents use cooperatives to develop and make effective use of their resources; (3) cooperatives improve their services and operate more efficiently; (4) patrons, directors, employees, and the public to better understand how cooperatives work and benefit their members and their communities; and (5) encourage international cooperative programs.

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31ST ANNUAL REPORT OF THE
REGIONAL GRAIN COOPERATIVES
1968-69

by Daniel H. McVey*
Special Assistant to Assistant Administrator
Cooperative Marketing and Farm Supplies

This report covers the financial condition and operating results of a group of regional grain cooperatives. It is the latest in the annual series started in 1938 and continued at the request of the cooperatives.

The report contains data for the 1968-69 season and shows some comparisons for the entire period 1938-39 through 1968-69. It also points out recent developments, particularly some that have taken place since the end of the 1968 fiscal year.

RECENT ACTIVITY

Regional grain cooperatives continue to make every effort to meet the demands of their members by conducting up-to-date grain marketing services at subterminal and terminal markets (Fig. 1).

They have rapidly expanded and modernized elevator facilities to handle and store current reserves and carryover stocks and to merchandise member association's grain. Much of the recent activity has been at strategic river, lake, or ocean harbor points so cooperatives can take advantage of cheaper water transportation and increase market outlets at home and abroad.

Grain and livestock production in southern and southeastern States is increasing. Thus, cooperatives are giving more attention to installing processing and storage facilities in these areas so they can supply grain for feed and furnish outlets for their own members' production.

* Mr. McVey died suddenly June 12, 1970.

FIG. 1--LOCATION OF REGIONAL GRAIN MARKETING SERVICES AND THEIR SUB-TERMINAL AND TERMINAL ELEVATORS, 1970



Regionals have helped members improve their facilities and conduct more efficient grain marketing operations at the local level. Through the National Federation of Grain Cooperatives, grain research programs, advisory committees, radio and television programs, and other media, managements of the regionals are helping all grain farmers.

For several years some regionals have co-sponsored accounting schools where local elevator bookkeepers receive valuable training. With the advent of more sophisticated electronic data processing equipment, many regionals are maintaining many of the records for local cooperative elevator members.

Some also conduct management training conferences, directors' schools, and member relations clinics. The use of field men is increasing, both at the local and regional level, to provide technical advice and improve communications.

Improving Varieties

Several regionals have installed milling and baking laboratories to learn more about the product they sell for their members and to encourage farmers to grow the kind of grain that will sell best.

Many cooperatives are working closely with grain improvement associations in developing new varieties. By producing types of wheat and other grains that meet exact milling specifications and feeding requirements, farmers can expect better returns and more uses for their cash grain. Some regionals also pay premiums for approved varieties and protein content.

Expanded Services

Some regionals have been moving into processing and into the feed, seed, and farm supply field; others are expanding these services.

Soybeans

Several regionals have gone into processing, primarily soybeans. For example, Farmers Union Grain Terminal Association (GTA), St. Paul, Minn., operates the largest single soybean processing plant in the country at Mankato, Minn. In addition to processing beans, it further processes the oil and meal. It is doubling capacity to refine and produce hardened oil and continues to produce soy flour and grits for industrial purposes.

Arkansas Grain Corporation, Stuttgart, has constructed a third processing plant. This gives it two plants at Stuttgart and one at Helena, Ark. The cooperative produces finished oil ready for table use and has doubled the capacity of its oil packaging plant in New Orleans. A hydrogenation plant has been completed to produce hardened oil. A winterizing and packaging plant has been completed. Plans have been announced for producing protein for human consumption.

Far-Mar-Co, Hutchinson, Kans., operates a modern soybean processing plant at St. Joseph, Mo., as does the Missouri Farmers Association, Columbia, at Mexico, Mo. Both cooperatives have added equipment to further process oil and both also operate feed mills. Far-Mar-Co also processes its member's wheat into bulgur for export and for domestic distribution. The bulgur and research plant have been greatly enlarged this year.

Farmers Grain Dealers Association, Des Moines, Iowa, merged with North Iowa Soybean Cooperative and now processes soybeans at its Mason City plant.

Cotton Producers Association (CPA), Atlanta, Ga., has constructed a large soybean processing plant and terminal elevator at Valdosta, Ga., now in operation. Equipment has been added to further process oil. CPA also processes peanuts and has constructed a new feed mill at Live Oak, Fla.

Other Processing

In addition to processing soybeans, GTA operates one of the largest flaxseed processing plants in the country and recently has gone into the malting business on a large scale, thus providing additional outlets for members who grow flax and barley. It also operates several feed mills.

GTA; Michigan Elevator Exchange Division of Michigan Farm Bureau Services, Lansing; and Agway Inc., Syracuse, N. Y., all operate flour mills.

Expanding Exports

In an effort to improve the producer's bargaining position in the market place, many of the regionals, singly or jointly, operate export elevators. Cooperatives now have such outlets at every major export point. For example:

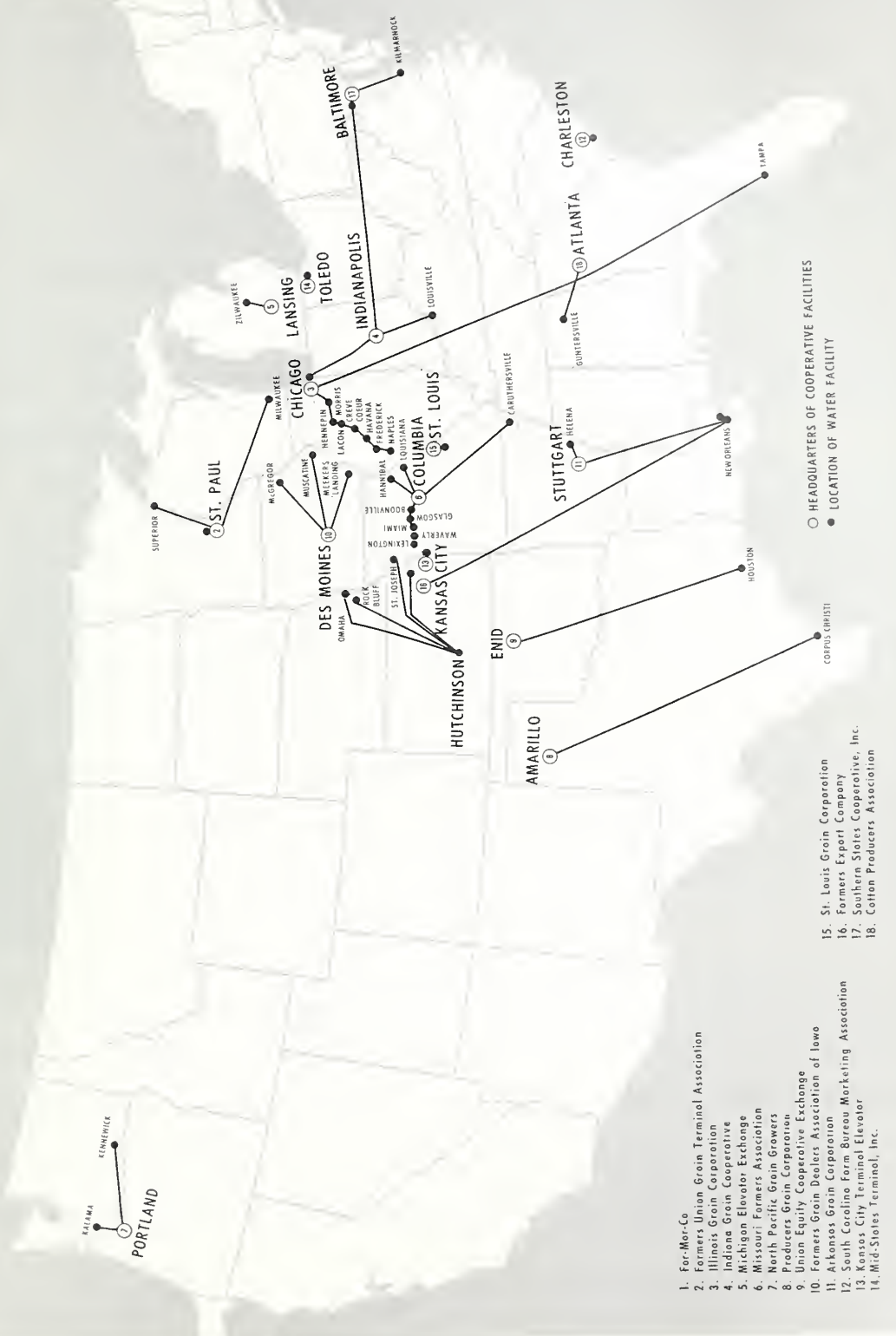
1. Mid-States Terminals, Toledo, Ohio, owned by regionals in Indiana, Michigan, and Ohio, recently modernized and added much needed storage capacity to its Toledo elevator. Further expansion is planned.
2. Michigan Elevator Exchange has finished its third year of operation at its elevator at Zilwaukee, Mich.

3. Indiana Grain Cooperative, Indianapolis, has taken on the operation of the Gateway elevator in Chicago and also operates through an export terminal in Baltimore.
4. GTA exports millions of bushels of grain through its huge elevator at Superior, Wis.
5. North Pacific Grain Growers, Portland, Oreg., has remodeled and added storage capacity to its elevator at Kalama, Wash.
6. Producers Grain Corporation has enlarged and modernized its facilities at Corpus Christi, Tex. It now also operates a cattle feed lot and feed mill near Plainview, Tex.
7. Union Equity Cooperative Exchange, Enid, Okla., has been operating one of the newest of the cooperative export elevators on the Houston ship channel for a little over 2 years.
8. The South Carolina Farm Bureau Marketing Association, Charleston, S. C., is operating the Port Authority elevator at that town. This elevator has been remodeled and enlarged.
9. Farmers Export Company, Kansas City, Mo., constructed an export elevator at New Orleans that began operations in the fall of 1968. Membership of this cooperative is made up of seven Midwest grain regionals having barge shipping facilities, plus MFC Services, Jackson, Miss., and Tennessee Farmers Cooperative, LaVergne, Tenn.

Water Movement

All the regionals with territory adjacent to the Missouri, Mississippi, Illinois, and Columbia Rivers operate barge loading facilities and thus take advantage of lower transportation costs. They are now discussing possible construction of new facilities (Fig. 2).

FIG. 2-- COOPERATIVE GRAIN FACILITIES LOCATED ON WATER, 1970



Several of these regional cooperatives own or lease barges and a number of them own or lease a considerable number of modern 100-ton hopper cars. Some operate sizable truck fleets.

Coordination Efforts

There have been three mergers of regional cooperatives within the past 7 years. In Illinois, United Grain Company, Champaign, merged with Illinois Grain Corporation, Chicago. The Farmers Union Terminal Elevator, Denver, Colo., and Farmers Union Cooperative Elevator Association, Omaha, Nebr., merged with Farmers Union Cooperative Marketing Association, Kansas City, Mo.

A major merger of regionals then took place June 1, 1968. Equity Union, Lincoln, Nebr., Westcentral, Omaha, Nebr., Farmers Cooperative Commission Co., Hutchinson, Kans., and Farmers Union Cooperative Marketing Association, Kansas City, Mo., merged under the name of Far-Mar-Co, Inc., now headquartered in Hutchinson, Kans.

Other examples of cooperatives working together include the organization of the 4 million bushel capacity Kansas City (Mo.) Terminal Elevator, jointly owned and operated by Missouri Farmers Association (MFA), Columbia, and Far-Mar-Co.

The Terminal Elevator leased an additional terminal with 4 million bushel capacity at Kansas City 3 years ago. MFA, GTA, and Illinois Grain Corporation organized the St. Louis (Mo.) Grain Corporation and acquired and jointly operate a 2.7 million bushel elevator in St. Louis. They have also recently leased another 2.5 million bushel elevator in St. Louis.

Soybean production in the rice producing area of southwest Louisiana and east Texas is expected to increase rapidly in the next few years. Producers organized a new cooperative, American Grain Association, Lake Charles, La., in the fall of 1964 to market their beans and assure them a voice in the market place. It has constructed an elevator at Lake Charles.

Such actions as these increase service to and bargaining strength of cooperative elevator patrons.

OPERATIONS

Most of the information in this report concerns the 12 regional grain cooperatives that began operating in 1938-39, are still in operation, and on which we have data. Ohio Equity Exchange, Lima, one of the original regionals, ceased to operate as a cooperative in 1964.

Until this year, this report showed 15 original cooperatives. The merger of four of the original organizations into Far-Mar-Co, reduces the number to 12 but this of course does not change the data from previous years.

A number of other regional grain marketing cooperatives were organized after 1938. Currently eight of these are in operation. Included are Farmers Export Company, Mid-States Terminals, Kansas City Terminal Elevator, and St. Louis Grain Corporation, all owned by the regionals. In addition, five large regional farm supply cooperatives operate grain marketing departments that perform the same functions as the grain regionals.

Some of the regional farm supply cooperatives that recently added grain marketing programs include FCX, Inc., Raleigh, N. C., MFC Services, Jackson, Miss., and Tennessee Farmers Cooperative, LaVergne.

Figure 1 shows the regional grain cooperatives in operation in 1970, and the location of their subterminal and terminal elevators. Included are those of other regional cooperatives with grain marketing departments. These regionals operate elevators at more than 125 market locations, exclusive of commission offices where there are no cooperative facilities.

About 40 of these locations are export facilities or handle barge grain. They are making significant savings for their members by using water transportation.

In this series of annual reports, those before 1959 primarily cover data on the 12 associations on which we had records starting with 1938-39. Since 1959, the reports have been enlarged to include information on additional associations.

The following section shows data on the 12 organizations and preserves the continuity of the annual series.

Information on 20 associations for which data are available for the past 10 years is contained in another section. The 20 associations include the original 12 associations previously discussed.

The data have been revised to reflect changes in the regional set-up brought about by mergers and elimination of Ohio Equity Exchange.

REPORT ON 12 REGIONAL GRAIN COOPERATIVES

The original 12 regional grain cooperatives have greatly expanded their storage capacity over the years, particularly since 1953, to meet member's needs (Fig. 3).

By harvest time 1970, the regionals will have in excess of 300 million bushels of storage, compared with less than 15 million in the late 1930's, and 35.5 million bushels at the end of World War II.

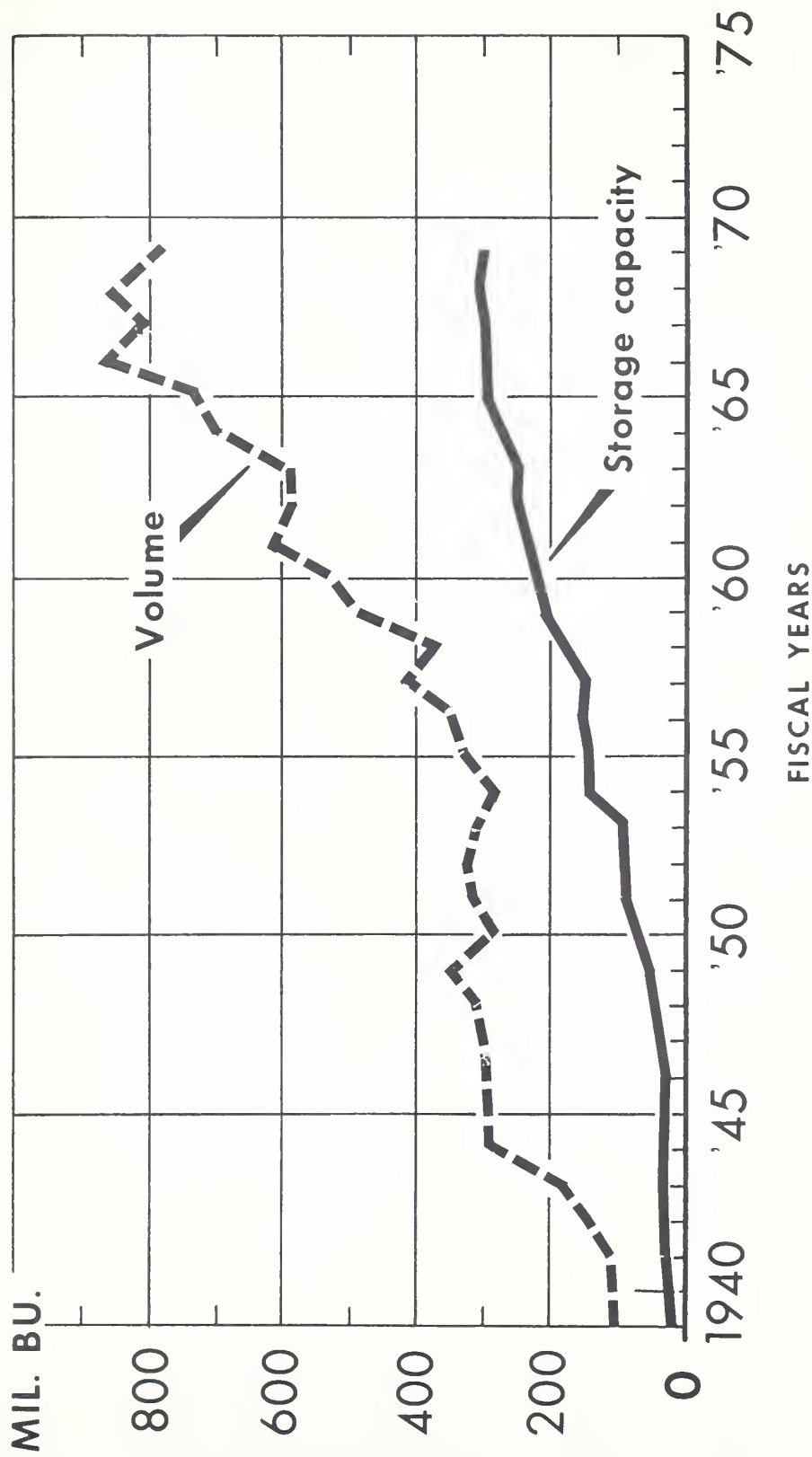
The greatest expansion -- 42 million bushels -- occurred in 1954 but the 28 million bushel expansion in 1958 is also significant. Capacity has nearly tripled since 1953. About 2.5 million bushels of space was eliminated in the past year. Nearly all the space in use is owned, although some Port Authority elevators are operated on a long-term lease basis.

Since 1945-46, combined volume of grain marketed by the 12 regionals dropped below 300 million bushels in only 2 years (Fig. 3). In 1968-69, volume was 780 million bushels -- a decrease of nearly 10 percent from 1967-68 but was the fourth largest volume ever handled. This is the tenth consecutive year that volume has exceeded a half-billion bushels.

During the 31 year period beginning with 1938-39, these 12 associations handled 13 billion bushels of grain. In the last 5 years alone, volume amounted to nearly 4.1 billion bushels or about 31 percent of the 31 year total.

Figure 3

COMBINED VOLUME AND STORAGE CAPACITY OF 12 REGIONAL GRAIN COOPERATIVES



Since these regional grain cooperatives began operations, total production of major grains has increased more than 55 percent. The proportion leaving the farm has gone up even faster -- in fact $2\frac{1}{2}$ times in the same period. Even so, the regionals have more than kept pace. In their first 3 years of operation they accounted for about 6.5 percent of the grain leaving the farm; last year they accounted for about 15 percent.

Taken as a group, these 12 cooperatives showed a net margin for each of the 31 years. Total margins began at around \$1 million, generally moved upward until 1960-61, reaching nearly \$20 million in the years 1958-59 to 1960-61. They have declined rather severely since, totaling \$2.4 million in 1968-69, the lowest since 1941-42, and a decline of 58 percent from 1967-68 (Fig. 4).

Net margins in 1968-69 were equal to a return of 1.7 percent on the book value of fixed assest, compared to 3.9 percent in 1967-68. Net margins equaled 0.7 percent of the total assets in 1968-69, a substantial decline from the 1.5 percent in 1967-68.

On a bushel basis, the peak margin of 4.44 cents was reached in 1954-55 and 1957-58, but has since declined, dropping below 2 cents a bushel in 1963-64, and below 1 cent in each of the last 3 years.

In the first 2 years of the period reported on, net margins per bushel handled averaged about 1 cent. There was a gradual increase to around 4 cents a bushel in the period 1953-54 to 1959-60. Each year since 1957-58 has shown a decline. In 1968-69, the margin declined to 0.31 cents a bushel, or 52 percent below the year before. This is the lowest net per bushel in the 31 years of operation. It reflects intense competition, very small volumes stored and handled, and reduced storage rates (Table 1).

Figure 4

COMBINED NET MARGINS OF 12 REGIONAL GRAIN COOPERATIVES

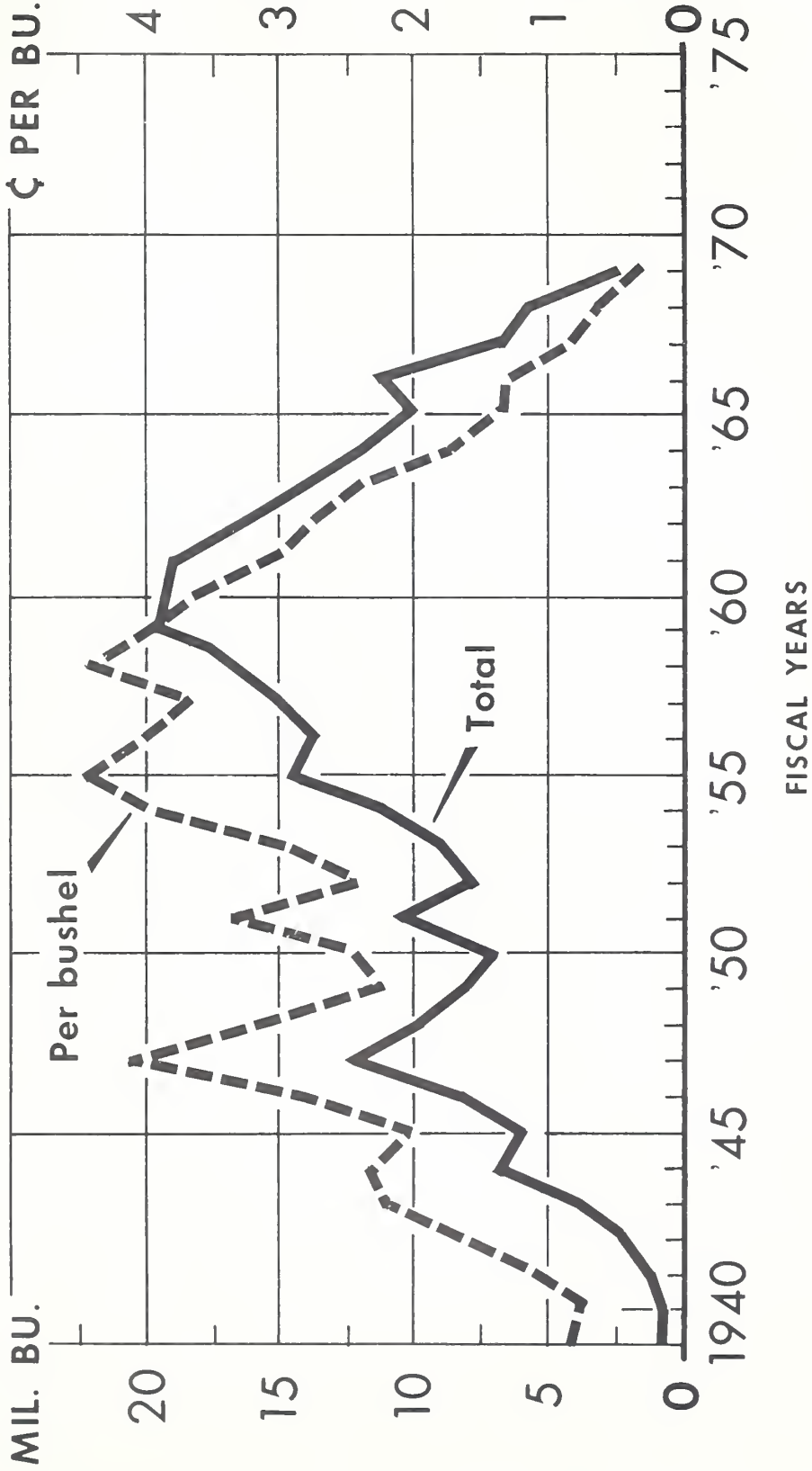


Table 1.--Total grain handled and combined net margins of 12 regional grain cooperatives, specified years

Fiscal year	: Volume of grain handled	: Combined net margins	: Net margins per bushel
	<u>1,000 Bushels</u>	<u>\$1,000</u>	<u>Cents</u>
1938-39	100,039	857	0.86
1957-58	375,279	16,655	4.44
1964-65	727,021	10,060	1.38
1965-66	874,170	11,422	1.31
1966-67	811,300	6,962	0.86
1967-68	863,996	5,642	0.65
1968-69	780,474	2,395	0.31

We can reasonably assume that such margins over the years would not have been realized by the cooperatives if they had not had handling, merchandising, and storage facilities (Fig. 5). Total net margins for the 31 year period have been nearly \$303 million. Average margin per bushel for the 31 years has been 2.33 cents.

As would be expected from the storage capacity and volume data, the combined balance sheet of these organizations has changed greatly over this 31 year period. Current assets in 1939 were \$5.2 million. They showed almost continual annual growth to \$194.8 million in 1967, but declined to \$190.5 million in 1968, and \$171 in 1969, due to the decline in cash and other current assets (Fig. 6 and Table 2).

The net value of fixed assets was less than \$1 million in 1939 and didn't reach \$10 million until 1947. After 1947 there was a rapid buildup that reached a record \$145 million in 1968. There was a slight decline in 1969. Net increase since 1958 has been about \$78.7 million. Rapid amortization of a number of facilities has held book value down.

Total assets in 1939 were \$6.8 million. These showed a steady growth, reaching a new record of \$382 million in 1968. There was a decline in 1969 to \$363 million, or about 5 percent. Five associations had assets in excess of \$23 million, each in 1969.

Large amounts of capital have been used in recent years for expanding facilities, and member equities in these 12 regionals have continued to rise. In the 31 years, member equities rose from \$3.2 million to \$178 million (Table 2 and Fig. 7) and showed an increase in all but one year.

Figure 5

COMBINED STORAGE CAPACITY AND NET MARGINS OF 12 REGIONAL GRAIN COOPERATIVES

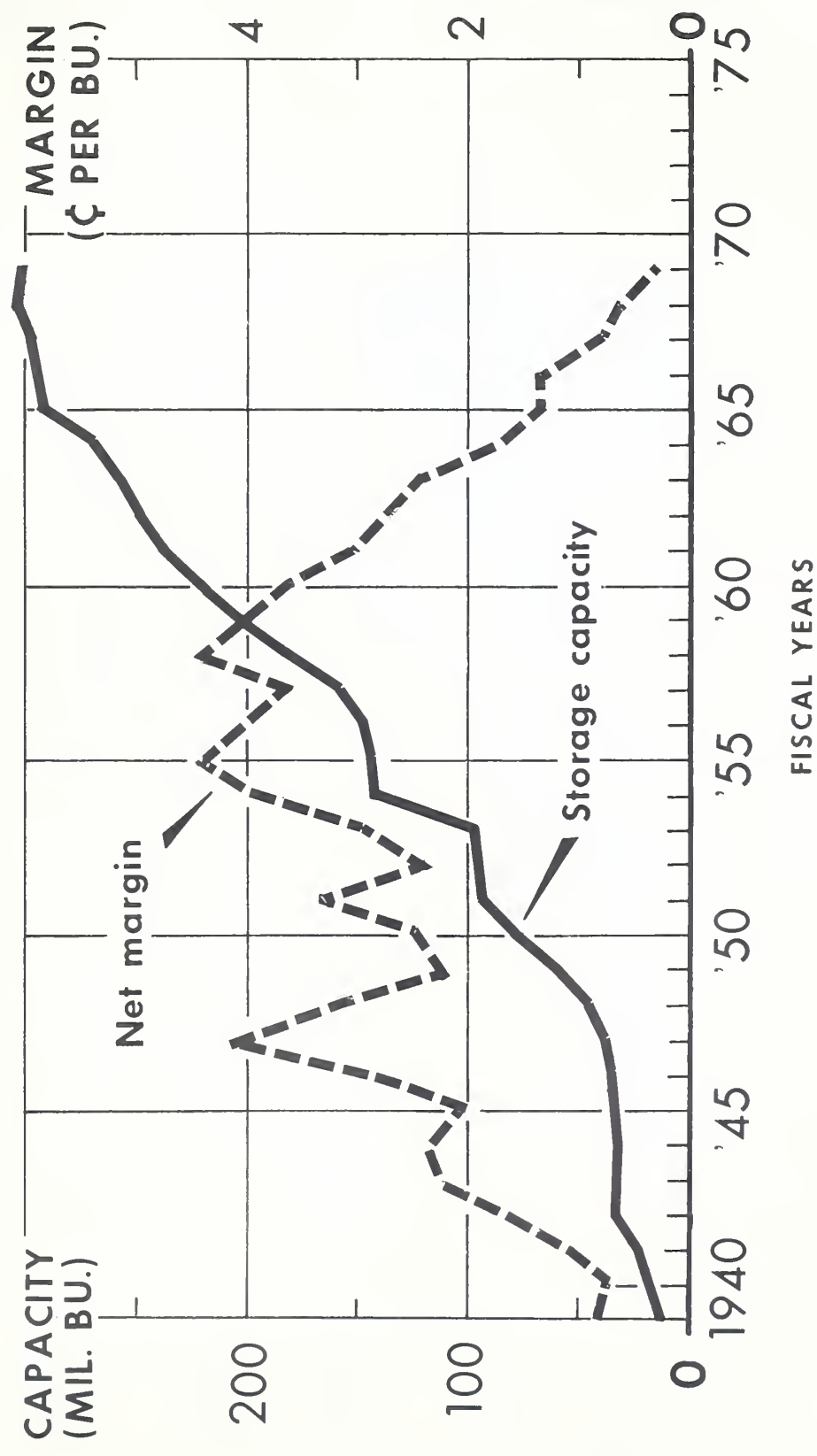


Figure 6

COMBINED ASSETS OF 12 REGIONAL GRAIN COOPERATIVES

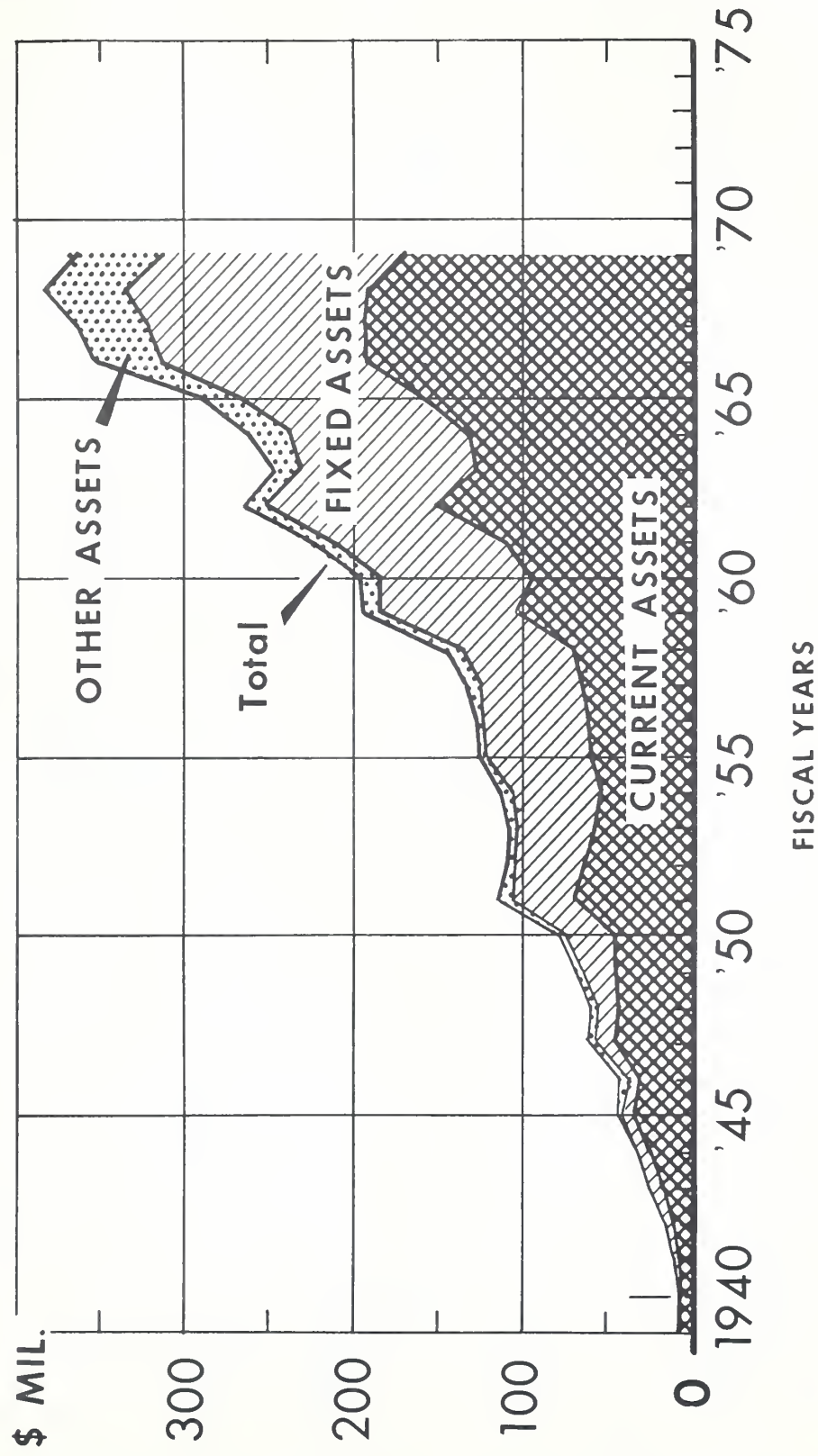
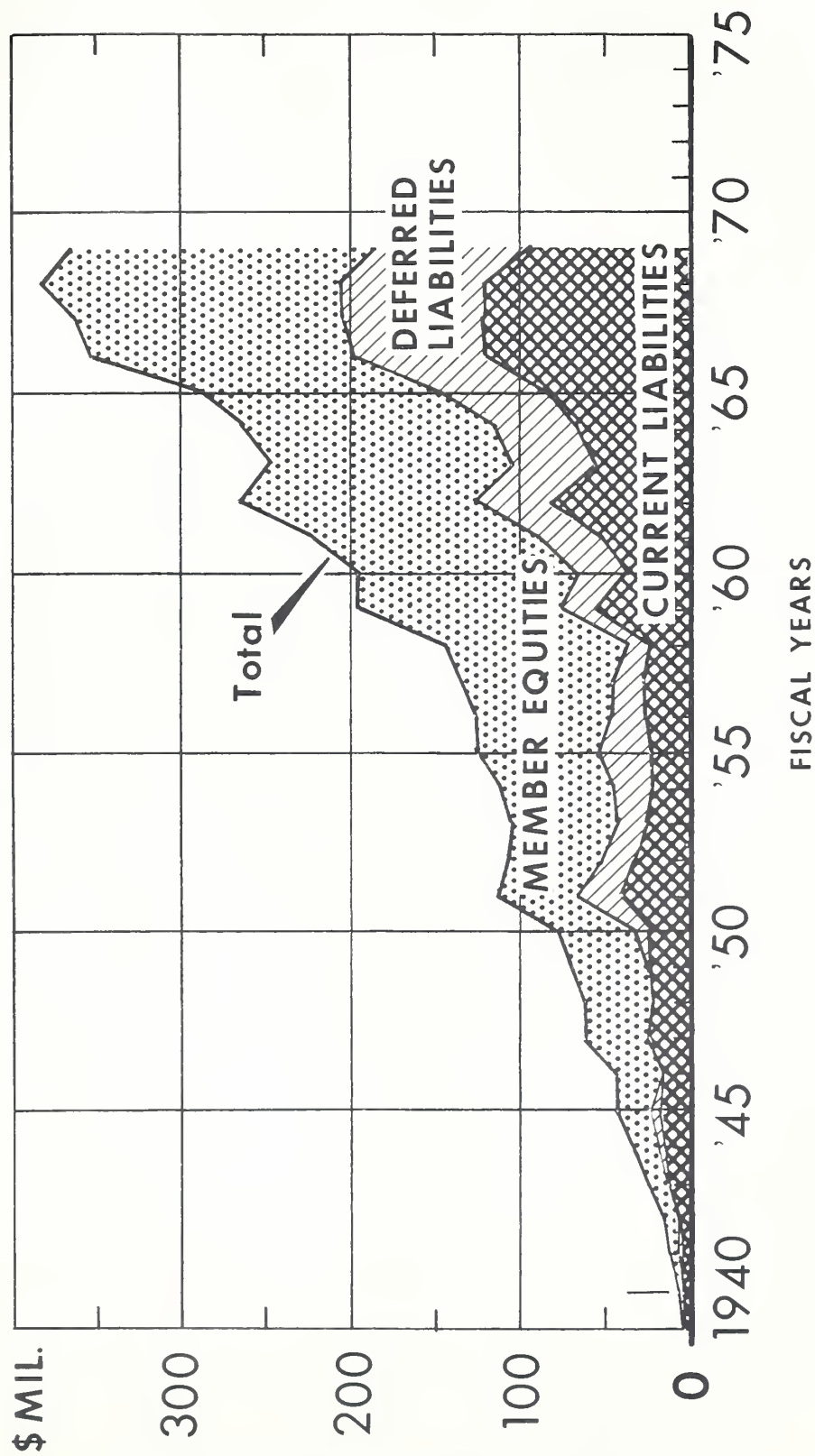


Figure 7

COMBINED LIABILITIES AND MEMBER EQUITIES OF 12 REGIONAL GRAIN COOPERATIVES



In 1969, equities were equal to nearly 49 percent of the total asset value, and 24 percent greater than the value of fixed assets.

Annual working capital showed a steady increase from the beginning and amounted to about \$77 million in 1969, compared to the \$2.7 million in 1939.

Last year total liabilities decreased by about \$31 million, with most of the decrease in current liabilities.

Long-term debt has fluctuated considerably over the years but has been higher in recent years because of an accelerated construction program. At the end of 1968-69, this item amounted to \$90 million, compared to \$1.1 million in 1938-39 (Table 2 and Fig. 7). At the end of 1968-69, deferred liabilities were 63 percent of the book value of fixed assets.

Much of the recent increase in liabilities has been in the current category. Current liabilities reached nearly \$57 million in 1959, declined to \$40 million in 1960, and increased to \$82 million in 1962. They dropped sharply in 1963 to about \$57 million, largely because of declines in inventory and other current assets.

In 1967, they reached a record \$122 million or 60 percent of the total liabilities. There was a slight decline in 1968 and a rather sharp decline in 1969 to \$94 million, or 51 percent of total liabilities.

Portions of these current liabilities were patronage dividends, declared but not paid, and accrued interest on stock.

REPORT ON 20 REGIONAL GRAIN COOPERATIVES

Several regional grain cooperatives were organized and some regional farm supply cooperatives added grain marketing departments after 1938. From 1958-59 through 1962-63, we published information on 11 organizations but, as mentioned earlier, there have been three mergers since then.

In this part of the report, therefore, information on the eight remaining organizations has been combined with information on the original 12 associations to give a more complete picture of current cooperative regional grain marketing.

These eight organizations have terminal or subterminal elevators at 66 locations, with about 87 million bushels of storage capacity. This makes a total of more than 387 million bushels of storage capacity for the 20 organizations.

The capacity per association and per elevator is much greater for the 12 associations than for the eight.

Total assets of the 20 associations in 1969 were \$477 million, a decline of \$11 million from the year before. All of the decline was in current assets. Fixed assets increased from \$159 million in 1967 to \$181 million in 1968, but there was only a slight increase in 1969 (Table 3 and Fig. 8).

Liabilities decreased by about \$23 million during the year, mostly in the current category. Member equities amounted to \$211 million in 1969, compared with \$199 million in 1968, an increase of about 6 percent.

Table 3.--Consolidated balance sheet of 20 regional grain cooperatives at the close of marketing years, 1959-60 and 1961-62 through 1968-69^{1/}

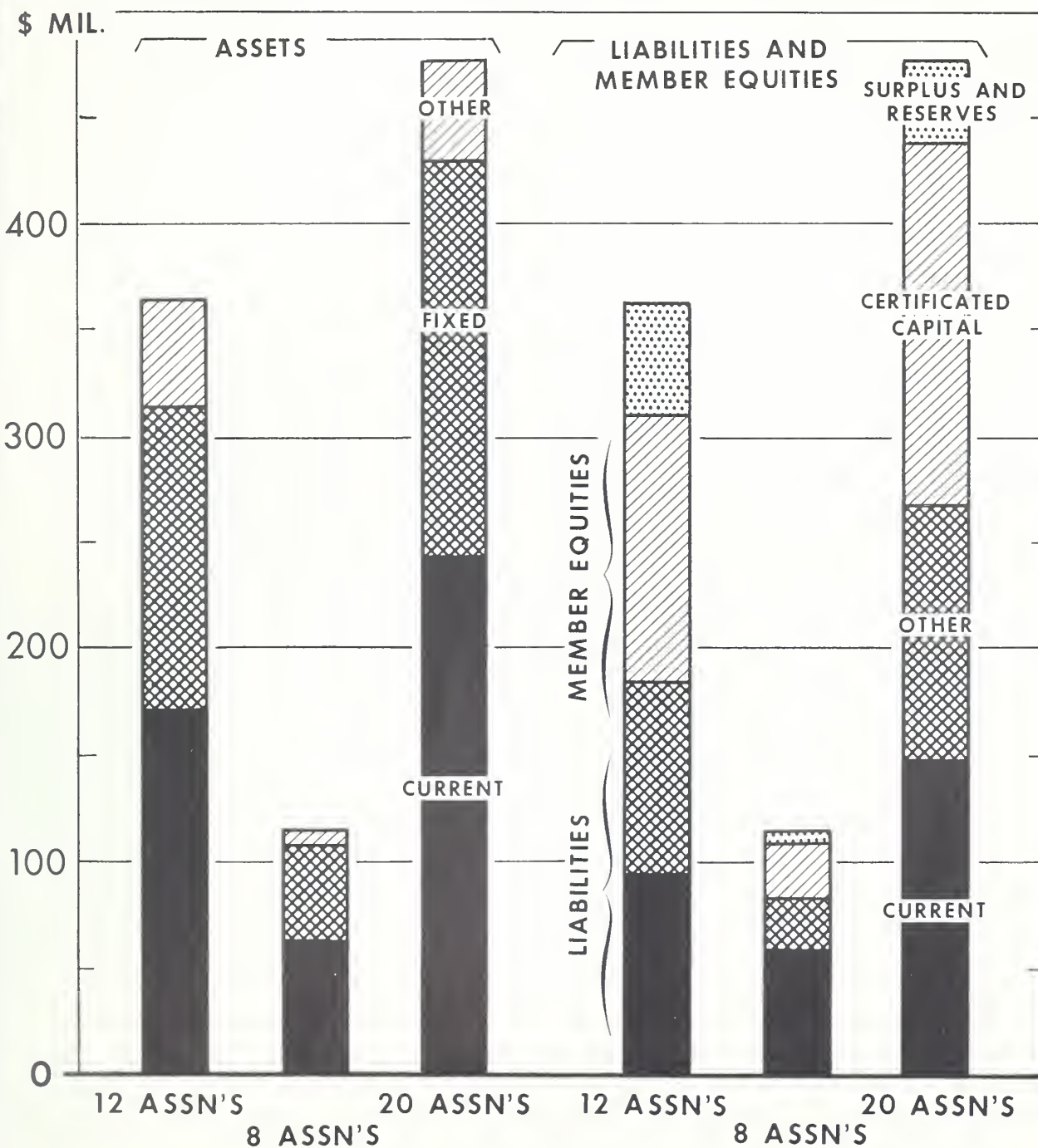
Item	:	1959-60	:	1961-62	:	1962-63	:	1963-64	:	1964-65	:	1965-66	:	1966-67	:	1967-68	:	1968-69
	:		:		:		:		:	\$1,000	:		:		:		:	
Assets																		
Current assets																		
Cash		20,045		10,183		18,306		14,117		13,303		14,796		10,735		16,187		9,181
Inventory		39,480		90,103		77,144		97,779		103,838		142,497		160,030		138,653		136,481
Other current assets		<u>53,064</u>		<u>79,280</u>		<u>70,145</u>		<u>65,591</u>		<u>81,706</u>		<u>91,672</u>		<u>78,920</u>		<u>97,634</u>		<u>91,993</u>
Total current assets		112,589		179,566		165,595		177,487		198,847		248,965		249,685		252,474		237,655
Fixed assets (net book value)		105,150		119,417		121,794		133,825		137,675		154,782		158,567		181,298		183,768
Other assets		<u>11,048</u>		<u>16,794</u>		<u>21,713</u>		<u>26,358</u>		<u>27,291</u>		<u>40,265</u>		<u>45,909</u>		<u>54,360</u>		<u>55,550</u>
Total assets		228,787		315,777		309,102		337,670		363,813		444,012		454,161		488,132		476,973
Liabilities and member equities																		
Liabilities																		
Current ^{2/}		49,017		98,477		82,330		105,178		115,370		166,621		166,655		170,600		149,432
Deferred		<u>35,182</u>		<u>54,465</u>		<u>56,042</u>		<u>61,084</u>		<u>81,223</u>		<u>97,435</u>		<u>101,370</u>		<u>118,589</u>		<u>116,980</u>
Total liabilities		84,199		152,942		138,372		166,262		196,593		264,056		268,025		289,189		266,412
Member equities																		
Membership capital		93,791		102,474		110,006		115,424		120,986		119,909		130,587		137,725		171,814
Surplus and reserves		<u>50,797</u>		<u>60,361</u>		<u>60,724</u>		<u>55,984</u>		<u>46,237</u>		<u>60,047</u>		<u>55,551</u>		<u>61,218</u>		<u>58,756</u>
Total member equities		144,588		162,835		170,730		171,408		167,223		179,956		186,138		198,943		230,570
Total liabilities and member equities		228,787		315,777		309,102		337,670		363,816		444,012		454,163		488,132		496,982

^{1/} Closing dates of fiscal years of individual associations vary within the crop year from December 31 to August 31.

^{2/} Includes some patronage refunds and stock dividends soon to be paid to members.

Figure 8

COMBINED ASSETS, LIABILITIES AND MEMBER EQUITIES OF 20 REGIONAL GRAIN COOPERATIVES, 1968-69



The eight organizations merchandised 178 million bushels of grain in 1968-69, down from 188 million bushel volume in 1967-68. Volume for the 20 associations in 1968-69 was 959 million bushels, compared to 1,052 million in 1967-68 and 980 million in 1966-67 (Fig. 9).

Again this year, we obtained volume data by kind of grain. The 20 regional cooperatives handled about 930 million bushels of the eight major grains and oilseeds (wheat, corn, oats, barley, soybeans, sorghum, flax, and rye). This was 15 percent of the total off-farm sales of these grains in the United States from the 1968 crop (Fig. 10).

These cooperatives handled 24 percent of the wheat, about 40 percent of the flax, 17 percent of the soybeans, 14 percent of the sorghum, 16 percent of the rye, 11 percent of the corn, 7 percent of the oats, and 9 percent of the barley.

Some organizations handled other kinds of grain in addition to those mentioned. This volume of about 29 million bushels was composed of beans, peas, rice, millet, and buckwheat. This, plus the major grains, made a total volume of 959 million bushels.

Wheat was by far the largest volume grain handled by these 20 cooperatives -- 38 percent of the total (Fig. 11). Corn was next at 26.5 percent, then soybeans at nearly 20 percent, and sorghum at almost 9 percent. There was considerable difference in kinds of grain handled by the original 12 associations and the eight that were organized later. Location with respect to producing areas is important here.

Figure 9

COMBINED VOLUME, STORAGE CAPACITY, AND NET MARGINS OF 20 REGIONAL GRAIN COOPERATIVES

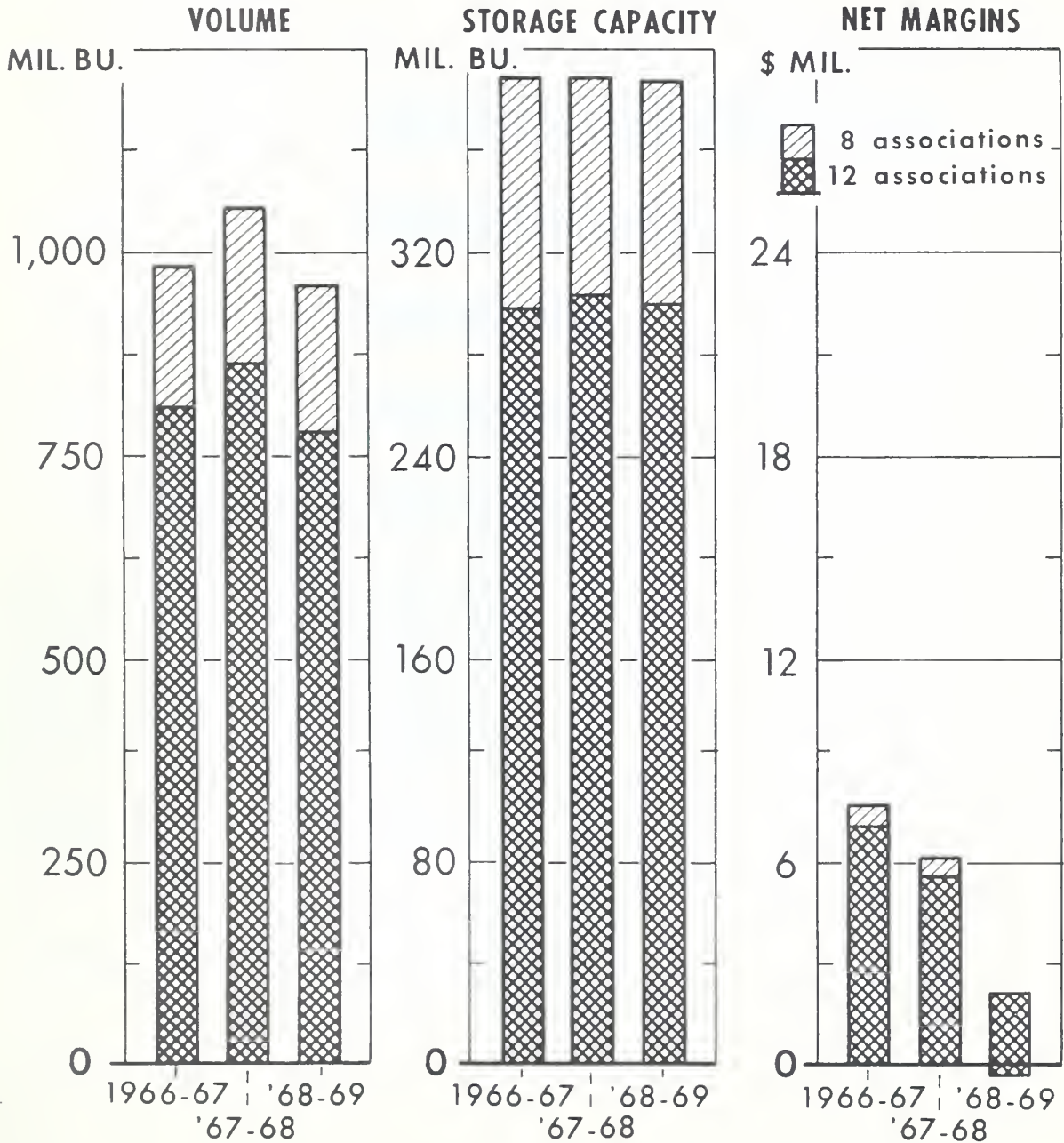


Figure 10

PROPORTION OF TOTAL OF OFF-FARM GRAIN SALES HANDLED BY 20 REGIONAL GRAIN COOPERATIVES

Percent by Kind of Grain, 1968-69

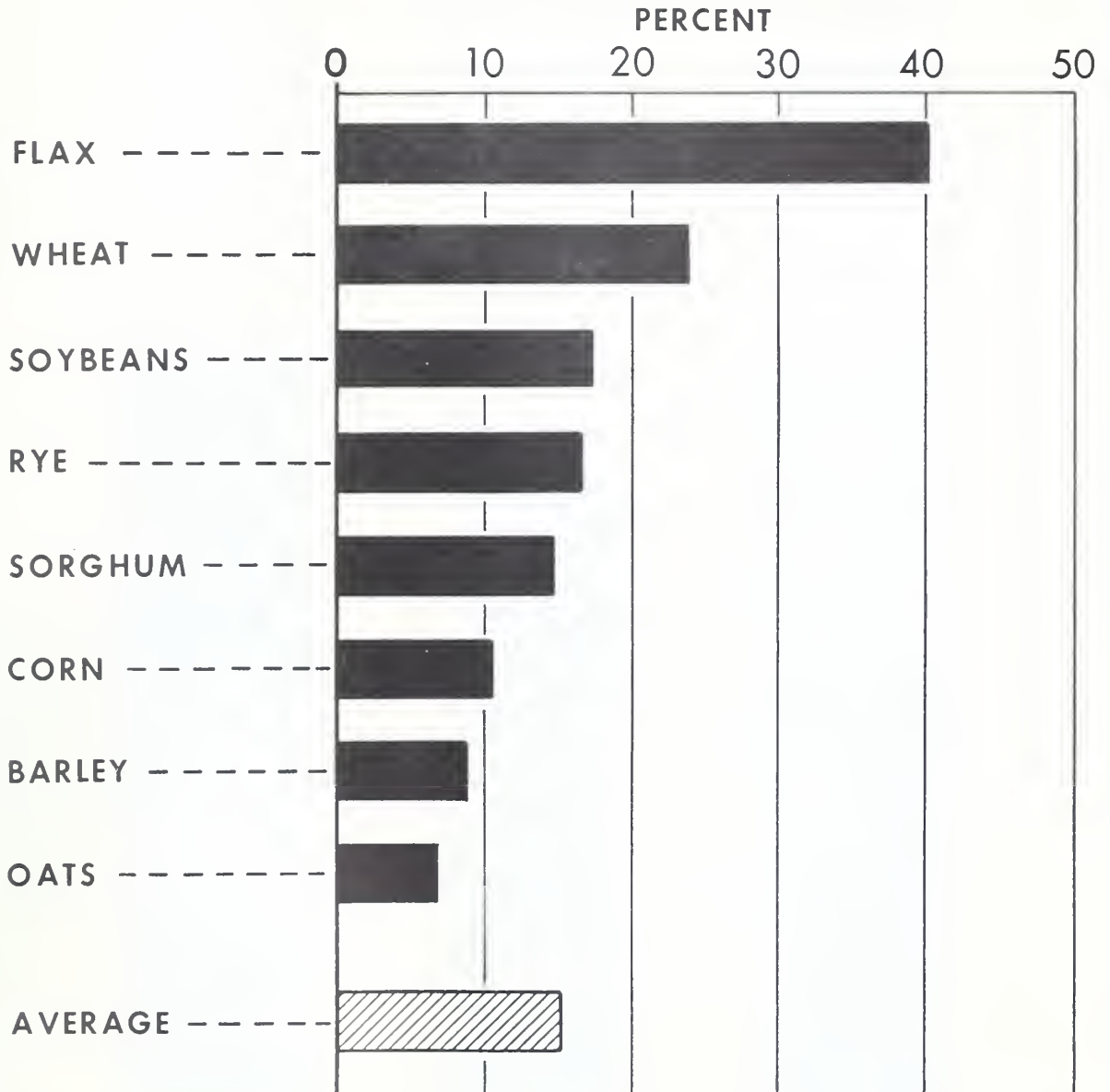
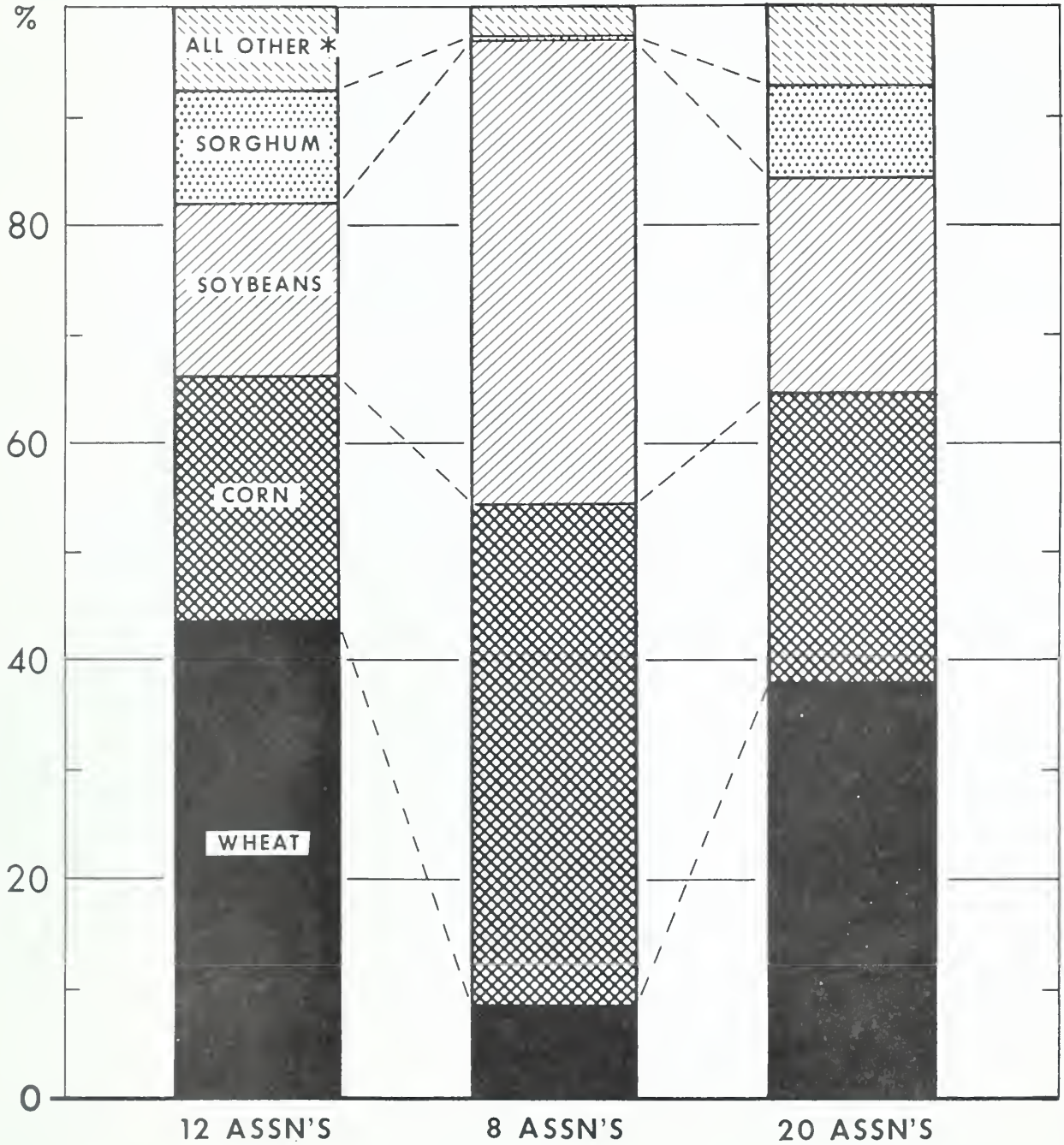


Figure 11

KIND OF GRAIN AS A PERCENT OF TOTAL VOLUME HANDLED BY 20 REGIONAL GRAIN COOPERATIVES, 1968-69



* INCLUDES OATS, BARLEY, RYE, FLAX AND MISCELLANEOUS.

Three of the regionals handled in excess of 100 million bushels, two had a volume in excess of 75 million bushels, and one handled more than 50 million bushels.

The eight associations had a small combined net loss for the year. Some of these cooperatives operated on a pool basis and showed no net margins. Total net margins for the 20 organizations was \$2.1 million, a decrease of about 61 percent from 1967-68. This is equivalent to 0.31 cents a bushel in 1968-69, a record low, and down from 0.59 cents in 1967-68.

FEDERATION OF REGIONALS

Data in this report do not include information on Farmers Export Company, Mid-States Terminals, Kansas City Terminal Elevator, and St. Louis Grain Corporation. Since regionals included in this report own these four cooperatives, inclusion of their data would be duplication to some extent.

The four cooperatives operate about 22 million bushels of storage capacity and had assets of more than \$40 million at the end of their last fiscal year, with fixed assets accounting for 62 percent of the total. Member equities amounted to a little over \$5 million.

A LOOK AHEAD

As a group, the regional grain cooperatives have grown rapidly, are in sound financial condition, and operate efficiently. Through these organizations, farmers have increased their market strength at local, terminal, and national levels. Quality has been emphasized by paying premiums for approved varieties and protein content. Marketing margins have been reduced and marketing practices improved through the competition these organizations furnish. Thus, all grain producers have benefited.

Managements of these associations still face many important problems.

Day-to-day price changes and crop conditions affect operations.

Transportation, including type of equipment as well as changing rate structures, is vitally important.

Government programs and policies, technological changes in farming, and the changing market structure, all affect volume and operations.

With the general upward trend in exports, world markets and conditions are increasingly important to these cooperatives in their operations.

Many costs have been rising and do not decline in proportion to volume decreases. This is especially true of fixed costs. Storage occupancy has been very low at many locations, thus almost eliminating a major source of revenue. This increases unit operating costs. Quality maintenance or improvement is being stressed more and more. Air and water pollution are of increasing importance. New or additional services must be performed to meet member requirements.

The regionals must work more closely with their local members and help them get geared up to handle an ever larger and faster harvest of grain that must be conditioned before it can be stored or shipped. Many of the smaller locals need encouragement and help in consolidating or merging their operations to better utilize facilities, improve operating efficiency, and broaden their resource base sufficiently to up-grade management. Regionals must be prepared to cope with such problems.

The managers and directors have demonstrated their ability to deal with problems during the years. The growth of these regionals clearly shows this.

More and more, managers and directors of various regionals have been working together. This is shown by mergers, joint ownership and operation of facilities, and the like. With the competitive situation that exists today and is likely to continue, regionals must work even more closely with each other than in the past.

With more and more grain and oilseeds and products being exported in a highly competitive situation, much more coordination is needed between the regionals with export facilities. These regionals, with the origination power they have through their local cooperative members have some natural advantages that should be exploited.

The experience gained should enable them to anticipate and solve future problems.

